labor organizations, Mr. Bureau pictures in the following way: (1) The employers discharge the unionists or keep as many non-union men as possible. (2) A secret boycott is resorted to against the unions. (3) The unions are recognized, but secret agitation is kept up. (4) Employers form an organization themselves. (5) The unions are recognized in full, and now employers find that arbitration with unions is beneficial to their business and that the unions further harmony in their workshops. The claim that the higher wages demanded by labor organizations are ruinous to the commercial interests, Mr. Bureau meets with the statement that the two leading industrial countries of the world, the United States and England, have the most and best labor organizations.

Labor organizations, the author concludes, secure to the toilers better wages, foster self-respect, and make the laboring class the best citizens of their country.

This new study of Professor Bureau has been carried out in the excellent manner to which we are used in his works. He has touched the keynote of a social problem; his arguments are forceful and to the point; he is an enthusiast as to organizations, and his statements to foreign labor bodies are perhaps a little open to objection. He tells his countrymen some unpleasant truths, to be sure, and his book may not find with them undivided appreciation; but it deserves warmest recommendation and should be taken for what the author intended it to be—a guide to the laboring classes and their employers in bettering and guarding their respective positions in the great commercial struggle.

JULIUS MOERSCH.

ST. PAUL, MINN.

Der deutsche Kapitalmarkt. By RUDOLPH EBERSTADT. Leipzig: Duncker & Humblot, 1901. 4to (?), pp. vi+280.

AS THE title suggests, this monograph by Dr. Eberstadt is an investigation into the conditions of the German investment market. He takes up the prevailing opinion that the economic development of Germany during the last few years has been too rapid, that the available resources of capital have not been adequate for the expanding industries. That there is a lack of capital Dr. Eberstadt does not deny. The money stringency is reflected in the high rate of interest. But it is into the claim that this dearth of capital is caused by the *demands of industry* that the author inquires. The validity of this

claim the author denies at the outset. He is not willing to let this popular conception remain unchallenged. If it is, no effective remedy will be sought for a possible maladjustment. It is to remove this *Sündenbock* that the investigation is undertaken.

What amount of capital does Germany produce, and into what channels is the capital actually produced diverted? To answer this question the author brings to his aid a mass of material that is both representative and well arranged.

There is a dual standard of value forever present in the author's mind throughout the whole book. This dual standard is not stated in as many words, but it appears again and again. On the one hand, the German investment market is treated from the standpoint of industry in the technical sense, the facility to produce material wealth. He is never a theorist, always dealing with facts and figures, but in this way of treating industry he reminds one of the attitude of the conventional English school. On the other hand, he recognizes the business point of view, the paramount desire of the individual to make profits. It is here that the element of speculation predominates. Business is the battlefield where unequal shrewdness and opportunities decide the issues. Fortified by the monopoly of information or position in the stock market, or by the monopoly of ownership in the real-estate market, the speculator can divert to personally profitable uses capital that under another system would be employed for the production of wealth. The author does not distinctly differentiate between these two points of view, nor does he condemn the individualistic system of conducting business. On the contrary, in the discussion on public *versus* private ownership of municipal and state utilities he leans toward the latter. But he calls up the distinction to the mind of the reader. One cannot escape the conclusion that industry may be carried on for the sake of creating increasing amounts of wealth. This may be called the social point of view. Or it may be carried on for purely speculative purposes. In this case capitalization is based upon profits, which depend upon the power to fix prices, etc. This is the individualistic point of view. The author attempts to prove that the German industry furnishes a sufficient amount of surplus for its necessary growth. It is the speculative element that interferes with the legitimate demands of production and causes the present money stringency in Germany.

The author cannot, of course, measure the total demand of capital for all purposes. He must confine himself to such undertakings whose capitalization find their appearance in the lists of the exchanges, and

the capitalization of land and real estate. He divides the claimants of capital in five categories: industry, with commerce and transportation; banks; land and real estate; public claims; foreign countries. This list is exhaustive and must have necessitated careful statistical research.

In the treatment of all *Wertpapieren* the author recognizes three different valuations—the face value, the bourse value, and the actual demand for capital (*Kapitalreinanspruch*). The meaning of this last term is explained on p. 15: "Unter dem Kapitalreinanspruch verstehe ich denjenigen Betrag, der von einem Kapitalsucher für seine Zwecke gefordert bezw. empfangen wurde." We take it that he means the actual amount paid by the capitalist if he succeeds in buying the entire capital issue of a desired enterprise. He differentiates between the speculative valuation of the bourse and what is called the intrinsic value, the capital actually needed to give the business a start. This differentiation is the keynote to the further discussion. The author keeps continually before the reader these two amounts: the capital actually expended to develop a business to meet the requirements of the public; and the amount needed for purely speculative purposes.

> One direction which we always must distinguish in the formation of capital is for industrial and productive ends. Against it is another direction which we commonly call with the name speculation, when the content of future chance or the uncertainty of calculation either not at all or only in an unimportant degree is found in it. This formation of capital for speculative ends, accompanied by a non-material rise in value and in price, meets us in various forms—this phenomenon is in no wise immanent in capital as such. (P. 23.)

The method that Dr. Eberstadt has chosen to prove his thesis is sufficiently interesting to warrant even a lengthy illustration.

In a table on pp. 34–41 Dr. Eberstadt gives the total capitalization of the part of the mining industry that is quoted on the Berlin bourse and the rise in these values from January 1, 1895, to April 1, 1900:

BERGWERKE AND HÜTTEN.

Face value January 1, 1895	M. 661,380,890
Bourse value January 1, 1895	777,163,163
Bourse value April 1, 1900	1,475,328,463
Face value of new issues between January 1, 1895, and April 1, 1900	299,808,000
Bourse value of these new issues April 1, 1900	611,135,564

The difference between the bourse values of January 1, 1895, and April 1, 1900, is M. 698,165,300. The industry has received no share

of this sum, nor could it have done so. The bourse value on January 1, 1895, as well as on April 1, 1900, depends directly on these already existing issues. The industry itself, consequently, cannot be influenced by the change of values of this stock. The whole movement is in this case altogether a speculative one.

It is to the value of the stock issued during this period that we have to look for the amount of capital that has flowed into this industry. It has first received the total face value of the new stock issued, M. 299,808,000. To discover what part of the difference between the face and bourse value of this new stock, M. 311,327,564, has benefited the industry, Dr. Eberstadt analyzes the total mining stock, share and bonds, issued 1899, to find the proportion of the speculative increase that the industry has shared.

Face value of mining stock issued on Berlin bourse 1899 -	M. 108,568,922
Bourse value March 1, 1900 - - - - - - -	227,405,971

Part of this stock was sold on the date of issue at par, part at a premium or at a loss. The actual price paid for the total stock at the time of issue (*Kapitalreinanspruch*) was M. 120,001,288. The difference between the face value and bourse value is M. 118,837,049, of which the industry has received the difference between face value and *Kapitalreinanspruch*— M. 11,432,366 = 9.62 per cent.; and speculation — M. 107,404,683 = 90.38 per cent.

This proportion of 9.62 to 90.38, the author thinks, favors industry as it is struck in a tide-wave of prosperity. The difference between M. 299,808,000, the face value of new issues 1895–1900, and M. 611,132,-564, the bourse value April 1, 1900, is M. 311,327,564, of which 9.62 per cent. = M. 29,949,712 increases the industrial capital. The remaining 90.38 per cent. = M. 281,377,852 swells the capital devoted to speculation, which now amounts to M. 979,543,152 — nearly one thousand million marks. If to the account of the industrial capital are added M. 89,694,900, bonds issued during the period, we have as the total increase of capital devoted to industry M. 419,452,612; that is, in this field, industry compares with speculation in the demand for capital, as 419.4 million marks against 979.4, or 80 millions against 186.5, yearly.

Whence does this capital come?

We know the amount of capital that the mining industry yearly demands on the Berlin bourse, 117.2 millions in the exceptional year of 1899 and an average of 80 millions during the last five years. Against this we may estimate the amount that the same industry has placed to the disposition of

the market in the form of dividends alone. We may suppose that by a low estimate the bourse value of the shares draws a dividend of 6 per cent., the bonds 4 per cent. . . . . These dividends amount, 1899, to M. 134,555,282. (P. 44.)

More than sufficient to meet the demand of 117.2 millions.

As the result of his whole investigation of the industrial field, he finds that

the surplus production of the individual industries abundantly covers the demand for new capital. The yearly outflow which is brought to the investment market transcends by far the amounts drawn by the same industries from the market. There exists in no single branch of industry a disproportion between supply and demand, upon which the harmful slogan of Germany's capitalistic impotency can be founded. (P. 99.)

On the contrary,

when Germany declares itself unable to create capital sufficient for its production, it is at the outset plain that certain factors are at hand that turn capital aside from its productive use. (P. 102.)

In the same painstaking manner Dr. Eberstadt analyzes all the other categories from which the demands upon the German investment market come. The chapters on banking and on foreign loans are especially good. One is, however, compelled to interpose a question whether the author does not at times overstrain his point. He sums up on pp. 100, 101 the total bourse value of all stocks of industrial, commercial, and transportation corporations to 932 million marks (number of shares × current quotation), their face value being 588 millions, and the actual price received at date of issue 668 millions. Do these 932 millions represent actual capital? Is he correct in saying that "speculation has demanded from the industrial issues of 1899 264 million marks"—the difference between 932 and 668? Do not these high bourse quotations merely indicate the degree of perfection into which the German credit system has developed? These 932 millions—if they represent anything at all—represent the capitalized earning power of the industries. This sum does not indicate that at the close of 1899 the speculators had at their command 264 millions more than they had at the beginning of the year. To approximate the resources of the stock market, one needs to know among other things the amount of cash capital that is not immediately wanted in circulation. The perfection of the banking and credit institutions and the rapidity by which cash money circulates throughout the country has more to do with speculation than the conditions of industry. As

the stock speculator does not invest, but only transfers capital from one man to another, a small amount of capital can go a long way. As will always be the case, the market being usually controlled by a few men, these men facilitate the turning over of capital in their direction, and larger, and consequently more effective, sums are available for desirable industrial investment. In this way the stock market serves a function useful to the industries. It is conceivable that a successful speculator will bid more for capital than an investor in industry can afford to pay and thus deprive industry of needed capital. But it must also be considered that stock speculation to be permanently successful must deal with rising values; that is, the speculator must see to it that the profits of the corporation in stock of which he is dealing must be permanent or increasing. That compels him to supply the industry with capital for such improvements and enlargements as the conditions of the consumption market will warrant. How much actual capital the speculators need for speculative purposes, or really have at their disposition, cannot be found out by the tables given by the author. The weak part of the book is this loose treatment of stock speculation. The prominent position given to the bourse quotations leads to a confusion of comparing what is a purely arbitrary figure with wealth available for capital investment. Too much blame must not, however, be imputed to the author. He does not pretend to give a theory of speculation. If he does not explain the nature of it, he does present a mass of data that are necessary to its explanation.

It is, however, in the speculation in land values that the author discerns the gravest danger. To the discussion of this question the author brings a familiarity and grasp already displayed in his previous work *Städtische Bodenfragen*. The increasing prosperity raises the value of land, especially of city real estate. The land does not necessarily add any material element to this prosperity, but the owner is in a monopoly position to tax every wealth-producing factor. The desirability to carry the heaviest mortgage possible upon real estate causes a continual demand upon the loan market. The burdens of this indebtedness are not carried by the owners, but are immediately transferred to other shoulders. While the total demand for capital on the stock market in 1899 for all purposes other than land and real estate was 1,832 million marks, the capitalization of these latter demanded 3,700 million marks, of which over 1,900 million marks were needed to pay the interest on the current debt. From the author's point of view these rising land values, when they are not based on direct productivity,

are purely speculative. The demand for capital for investment in such values is a drain upon the productive resources. It cripples industry, it reacts upon the municipal and state bond market.

The demand of the land mortgages strikes at the foundations of production, and grows continually through increased additions and turning over. The too heavy expense for this purpose means a grave and detrimental obstacle to Germany, while no other country has to carry an indebtedness approaching this. (P. 261.)

As long as such an unreasonable amount of mortgages are on the market, it is no wonder that the conditions of our public loans are more unfavorable than those of other nations and that new issues find such bad receptions. The mortgage absorbs everything. (P. 201.)

The difficulties through which Germany is at present passing, both in regard to the perplexing housing problem in the industrial centers, and the insecurity of certain banking establishments through their close connection with land speculation, give an added pertinency to the author's discussion. He has stated the question squarely; he also endeavors to point out the remedies. If the individual owner and the business community are not responsible for this form of speculation, but the legal and administrative institutions (p. 264), then a thorough and scientific investigation into the conditions is necessary to find the way out. It is such an investigation that Dr. Eberstadt has made for Germany. His work is of more than local or national interest. His data are, of course, based upon the conditions of Germany, but analogies can be drawn and principles will be found that are helpful in a similar survey of other countries. Even now, the book will cause the economists of other countries to ponder whether the causes that, in the estimation of the author, have brought a sudden check to the German prosperity are really at hand and will have the same effects upon the rising prosperity of other commercial countries.

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NEW YORK.

L'irrigation, ses conditions géographiques, ses modes et son organisation dans la Péninsule Ibérique et dans l'Afrique du nord. By JEAN BRUNHES. Paris: C. Naud, 1902. Pp. xvii+518.

IN this work Professor Brunhes studies irrigation in Spain, Algeria, Tunis, and Egypt from a single point of view—the influence of geographical conditions on the organizations controlling the use of water. The object of the study as brought out in his introduction is as follows: